RECORD AND BRIEFS

No. 15-1189

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IN THE

Supreme Court of the United States

IMPRESSION PRODUCTS, INC.,
Petitioner,

v.

LEXMARK INTERNATIONAL, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

Section 271(a) of the Patent Act provides that "whoever *without authority* makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent." 35 U.S.C. § 271(a) (emphasis added). The petition asks this Court to review two questions related to this provision:

1. This Court and the court of appeals have held that the sale of a patented article does not automatically confer unlimited "authority" for others to make, sell, or use that article where the patent rights actually conveyed are more limited in scope. *E.g.*, *Gen. Talking Pictures Corp.* v. *W. Elec. Co.*, 304 U.S. 175 (1938); *Mallinckrodt, Inc.* v. *Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992). Did the court of appeals correctly reaffirm its precedent in holding that Lexmark's sale of a patented toner cartridge, subject to a lawful and express limitation, did not automatically convey unlimited authority that had been clearly denied?

2. This Court and the court of appeals also have held, in light of Congress's decision to geographically limit the scope of patent rights and infringement liability to the United States, that a lawful sale abroad does not automatically confer unlimited "authority" to sell or import a patented article in the United States. *E.g.*, *Boesch* v. *Graff*, 133 U.S. 697 (1890); *Jazz Photo Corp.* v. *ITC*, 264 F.3d 1094 (Fed. Cir. 2001). Did the court of appeals correctly reaffirm its precedent in holding that Lexmark's sale of a patented toner cartridge in a foreign country, pursuant to the laws of that country, did not automatically convey "authority" to sell and import that product in the United States?

RULE 29.6 STATEMENT

Respondent Lexmark International, Inc., has no parent company and no publicly held company owns 10 percent or more of its stock.

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INTRODUCTION

The petition asks the Court to correct non-existent errors and illusory conflicts in the application of long-established precedent concerning the exhaustion of patent rights. To do so, Impression ignores the statutory text, caricaturizes Judge Taranto's exhaustive and careful opinion for the court of appeals, and distorts this Court's precedent. The court of appeals saw through Impression's contentions: 10 of 12 judges rejected Impression's position that every domestic sale automatically extinguishes all U.S. patent rights, and all 12 judges rejected Impression's position that every foreign sale has the same effect. The decision is comprehensive, correct, and consistent with the precedent of this Court and the courts of appeals.

As to domestic sales, Impression believes that every *sale* of a patented product automatically transfers all of the seller's patent rights in that product, while a *license* of a patent can be as tailored as market forces warrant. As the court of appeals recognized, Impression's position unaccountably favors licensing patentees over selling patentees: "there is no sound reason[] and no Supreme Court precedent[] requiring a distinction that gives less control to a practicing-entity patentee that makes and sells its own product than to a non-practicing-entity patentee that licenses others to make and sell the product." Pet. App. 26a. The court of appeals properly refused to insert this novel and arbitrary distinction between sales and licenses into the controlling text of the Patent Act, adhering instead to settled precedent which there is no reason to revisit.

As to foreign sales, Impression points to nothing in the Patent Act mandating exhaustion. It claims the decision below conflicts with this Court's interpreta-

tion of the *Copyright* Act in *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013). Nothing in that decision, however, indicates that the Court radically, but silently, reinterpreted the foreign reach of the Patent Act. All 12 court of appeals judges, the government, and the district court correctly rejected Impression's atextual reading of the statute and *Kirtsaeng*. Because there is no disagreement or confusion concerning Impression's extreme position of automatic worldwide exhaustion, review on this question is likewise unwarranted.

Finally, no disruptive change in the law or marketplace justifies certiorari. The court of appeals *reaffirmed* its own well-established and oft-cited precedents, both of which were based on authoritative holdings of this Court. Against this background of consistency, Impression's and its *amici*'s sweeping claims about the imminent demise of U.S. commerce and foreign trade ring hollow. These doomsday prophecies have not come to pass in the years since the court below issued the decisions it reaffirmed in this case. And the vast majority of *amici*'s purported concerns address aspects of patent law—implied license, repair rights, innocent infringement, contractual notice, and patent misuse—that are not implicated by this case. Indeed, Impression has *stipulated* that each domestic purchaser of Lexmark's single-use cartridges—from the original reseller to the end user—entered into a valid contract that limited its rights in the patented invention. Even if this Court were interested in the *amici*'s supposed concerns, this meticulous, nearly unanimous decision that created no split or conflict with other precedent would be a poor vehicle for addressing them.

COUNTERSTATEMENT OF THE CASE

A. Lexmark's Sale Of Patented Products

Lexmark develops, manufactures, and sells printers and toner cartridges, many of which are protected by patents. Pet. App. 9a. "Lexmark offers buyers a choice" in certain high-volume, professional-grade cartridges. *Id.* at 10a. Customers who buy regular cartridges pay full price and are not subject to any restrictions; they may dispose of or reuse the cartridge as they see fit. Alternatively, for roughly 20 percent less, customers who have no interest in reusing spent cartridges may buy otherwise identical "return program" cartridges. *Id.* These patented cartridges are designed for a single use, with a microchip that automatically disables printing once all toner is consumed. *Id.* at 11a. As the parties stipulated, the price discount for single-use cartridges reflects the more limited rights transferred to customers, *id.* at 10a-11a, and the value to Lexmark of remanufacturing its own spent cartridges.

Lexmark and "each of its end-user customers" enter into an "express and enforceable contractual agreement" to follow the terms of the limited, single-use license. Pet. App. 10a-11a. The single-use design of each cartridge is clearly displayed, in multiple languages, on the outside packaging of a return program cartridge and on the cartridge itself. Customers agree that, after the toner is depleted, they will not reuse the patented cartridge and will return it only to Lexmark for remanufacturing or recycling. Indeed, it is "undisputed that all end users receive adequate notice of the restriction supporting the discounted price before they make their purchases." *Id.* at 11a.

Despite the express limitations on these sales, however, third parties acquire spent cartridges, hack

their microchips, and create "unauthorized" replacements—actions beyond the scope of the limited patent rights Lexmark transferred. Pet. App. 11a. Companies like Impression gather, import, relabel, and resell these hacked cartridges for use with Lexmark printers. *Id.* at 11a-12a. Some of these are single-use "cartridges that Lexmark sold ... under the restriction denying authority for resale and reuse." *Id.* at 13a. Another group of cartridges at issue "consists of *all* cartridges that Lexmark sold abroad." *Id.*

B. This Litigation

Lexmark sued Impression (and other unauthorized remanufacturers) for patent infringement. Impression admits that Lexmark's valid patents cover the cartridges it imports and sells. Pet. App. 13a. Impression's only defense to infringement is the contention that Lexmark "exhausted its U.S. patent rights in the cartridges by its initial sales of them." *Id.*

In the district court, Impression moved to dismiss, arguing that this Court in *Quanta* and *Kirtsaeng* had silently overruled precedent from the court of appeals defining the exhaustion defense. Pet. App. 14a. The district court rejected Impression's position that any and all foreign sales exhausted Lexmark's U.S. patent rights, but agreed with Impression about Lexmark's domestic sales of single-use cartridges. *Id.* at 15a-17a. Impression then stipulated to final judgment of infringement for its resales of foreign cartridges, and the parties cross-appealed. *Id.* at 14a-18a. After Impression agreed that its contentions were foreclosed by circuit law, the court of appeals took the case en banc. *Id.* at 8a, 18a-19a; *contra* Pet. 2.

To enable its direct challenge to circuit precedent, Impression stipulated to a number of important

points. Pet. App. 13a. First, the lower price of single-use cartridges reflects limitations in the patent rights conveyed by Lexmark. *Id.* at 11a. Second, the single-use restrictions are valid and enforceable. *Id.* Third, "the adequacy of th[e] notice is unchallenged," so the case presents no questions that might arise "if a downstream re-purchaser acquired a patented article with less than actual knowledge of such a restriction." *Id.* at 14a. Fourth, Impression raised no argument "that the particular restriction at issue gives rise to a patent-misuse defense, constitutes an antitrust violation, or exceeds the scope of the Patent Act's express grant of exclusive rights over patented articles." *Id.*[1] And finally, "when Impression agreed to a judgment of infringement as to foreign-sold cartridges, it did not preserve an implied-license defense." *Id.* at 18a.

Against this backdrop, the court of appeals ruled for Lexmark on both the domestic and foreign exhaustion questions, "reaffirm[ing] the principles of [its] earlier decisions" in *Mallinckrodt, Inc.* v. *Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992), and *Jazz Photo Corp.* v. *ITC*, 264 F.3d 1094 (Fed. Cir. 2001). Pet. App. 8a-9a. On the domestic side, Judge Taranto's opinion for 10 members of the court adhered to the rule "that a patentee, when selling a patented article subject to a single-use/no-resale restriction that is lawful and clearly communicated to the purchaser, does not by that sale give the buyer, or downstream buyers, the resale/reuse authority that has been expressly denied." *Id.* at 8a. The court relied on the text of the Patent Act, which prohibits anyone "without authority" from making, selling, using, or

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[1] *Lexmark Int'l, Inc.* v. *Static Control Components, Inc.*, 134 S. Ct. 1377 (2014), involved Lanham Act standing and has no bearing on the questions presented here. *Contra* Pet. 4.

importing patented goods, and carefully analyzed dozens of precedents across more than 100 years. Explaining this Court's long recognition of a patentee's authority to transfer fewer than all patent rights, the court found "no good reason that a patentee that makes and sells the articles itself should be denied the ability that is guaranteed to a non-practicing-entity patentee" and "[n]o precedent" requiring such a strange regime. *Id.* at 41a.

On the foreign sales issue, the court unanimously rejected Impression's position that *Kirtsaeng*'s consideration of foreign *manufacture* under the Copyright Act silently decided the question of foreign *sale* under the Patent Act. Rather, the court agreed that the territorial nature of the Patent Act means that the sale of a patented product in another jurisdiction can, but does not necessarily, transfer rights under U.S. patent law as well. Pet. App. 8a-9a. To that end, a "buyer may still rely on a foreign sale as a defense to infringement," but "[l]oss of U.S. patent rights based on a foreign sale remains a matter of express or implied license"—a defense not raised by Impression in this case. *Id.* at 9a, 104a.

Judge Dyk filed a dissent that Judge Hughes joined. For domestic sales, the dissent largely agreed with Impression's position that patentees, unlike licensees, necessarily lose all rights when they sell a patented article. Pet. App. 105a-106a. For foreign sales, the dissent disagreed with Impression's position and would have "retain[ed] *Jazz Photo* insofar as it holds that a foreign sale does not in all circumstances lead to exhaustion of United States patent rights." *Id.* at 106a. The dissent agreed with the government's contention that patentees should be able to show that they "explicitly reserved the United States

patent rights" in a foreign transaction to avoid exhaustion in the United States. *Id.*

REASONS FOR DENYING THE PETITION

Impression requests review and a ruling that all patentee sales anywhere are necessarily unconditional, extinguishing all U.S. patent rights in a product no matter what limits the patentee-seller and purchaser agree to. On the law, Impression bypasses the heart of the court of appeals' analysis by disregarding § 271 of the Patent Act, which controls the scope of the exhaustion defense, and by misreading this Court's precedent. On the policy, the alleged importance of the questions presented is based on fanciful prognostications, most of which are not implicated by the stipulated facts of this case or the holding tailored to those facts, and none of which have materialized in the decades during which the principles reaffirmed below have been the law.

I. THE COURT SHOULD DENY REVIEW OF THE FIRST QUESTION PRESENTED CONCERNING DOMESTIC SALES.

Lexmark sells some printer cartridges with unlimited use rights and some cartridges (for a lower price) subject to a valid and enforceable single-use restriction. For the latter, the parties agree that Lexmark could have achieved the same result by licensing the right to make and sell single-use cartridges to another entity. By a vote of 10 to 2, the court of appeals confirmed the ability of Lexmark and its customers to agree on the scope of the "authority" that a sale, like a license, conveys to buyers. Further review of that decision is not warranted.

A. The Court Of Appeals' Decision Is Consistent With The Precedents Of This Court And The Court Of Appeals.

1. The court of appeals reaffirmed that "a patentee may preserve its § 271 rights when selling a patented article, through clearly communicated, otherwise-lawful restrictions, as it may do when contracting out the manufacturing and sale." Pet. App. 40a. That holding "follows naturally" from Congress's decision to define patent infringement as the "sale or use of a patented article 'without authority,'" because "a clear denial of authority leaves a buyer without the denied authority." *Id.* (citing 35 U.S.C. § 271(a)).

It is also fully consistent with longstanding precedent of this Court and the court of appeals. See, *e.g.*, Pet. App. 41a-56a. Nearly 150 years ago, this Court held in *Mitchell* v. *Hawley* that a patentee could convey limited rights to a licensee, and that the licensee could convey to another no more than it received from the patentee. 83 U.S. (16 Wall.) 544, 550 (1872). As a result, after the licensee sold patented products to end-users, those end-users could be liable for patent infringement if their use of the products went beyond the authority the patentee had conveyed. *Id.* at 549-50. Although *Mitchell* "stated the exhaustion principles in terms ... applicable to patentee sales," and was soon "invoked ... in a patentee-sale case," Pet. App. 42a-43a, Impression's petition does not even mention it.

Decades later, *General Talking Pictures* relied on *Mitchell* to "squarely h[o]ld ... that a patentee could preserve its infringement rights against unauthorized uses by restricting manufacturing licensees' authority to sell for such uses." Pet. App. 43a. The conditions at issue concerned how patented amplifiers could be used. The patentee licensed another compa-

ny to make and sell amplifiers for private use only, but the licensee sold the amplifiers for commercial use. This Court confirmed that the purchaser, having never obtained the patentee's authority to engage in such use, had no "authority" under the patent, *Gen. Talking Pictures Corp.* v. *W. Elec. Co.*, 304 U.S. 175, 181, *opinion on reh'g*, 305 U.S. 124 (1938), and could therefore be held liable for patent infringement. Pet. App. 43a-44a (describing *Gen. Talking Pictures*).

Almost 25 years ago, the court of appeals held that the text of the Patent Act, and the holdings of *Mitchell* and *General Talking Pictures*, afforded a patentee that makes and sells patented articles itself—rather than licensing those rights to someone else—the same ability to transfer fewer than all patent rights in a patented article. *Mallinckrodt*, 976 F.2d at 704-07 & n.6. *Mallinckrodt* concerned a patentee's sale of medical devices subject to a single-use-only restriction. Analyzing this Court's precedents, the court of appeals recognized that the facts of *General Talking Pictures* involved licensee rather than patentee sales, but "discern[ed] no reason" why the outcome should turn on that "formalistic distinction[]." *Id.* at 705. The court of appeals has repeatedly upheld that principle in the ensuing quarter century, including in another *en banc* decision. Pet. App. 30a (citing cases). The decision below correctly did so once more, understanding that no decision of this Court or of the court of appeals is contrary to or conflicts with that holding. *Id.* at 26a, 49a-50a.

2. Before the court of appeals, Impression accepted "at oral argument [that] it is undisputed that no Supreme Court decision has involved a single-use/no-resale restriction on a patentee's sale and found the restriction insufficient to preserve the patentee's infringement rights against a buyer engaging in the

forbidden reuse or resale." Pet. App. 49a. Yet Impression now argues to the contrary that the decision below "squarely conflicts with this Court's consistent teaching regarding the scope of the exhaustion doctrine." Pet. 2. Despite its hyperbole, see *id.* at 10 ("wholly inconsistent with this Court's precedent"), Impression fails to engage the court of appeals' extensive analysis showing that its decision is fully consistent with this Court's precedents.

Impression's domestic-sales argument boils down to this: "at least since 1853," every single time a patentee sells a patented article, the patentee necessarily and automatically transfers *all* patent rights associated with that article. Pet. 10-18. That result is mandated, according to Impression, "no matter how clearly the patentee states an otherwise-lawful restriction on what authority is being conferred and what authority is being withheld." Pet. App. 33a-34a. Impression's supposed support for this broad assertion cannot withstand scrutiny.

First, Impression selectively quotes from this Court's decisions to insist that this Court has "repeatedly" articulated Impression's all-sales-fully-exhaust rule. Pet. 10-14. But Impression never confronts the court of appeals' detailed discussion of these decisions and the specific context for the relevant statements. After cautioning that "[c]ontext is particularly important" in analyzing what earlier decisions do and do not hold, the court of appeals devoted 25 pages to explaining why Impression's position is wrong, walking carefully through dozens of this Court's decisions, including every case Impression misrepresents in its petition. Pet. App. 27a-29a, 35a-37a, 39a-56a. Compared to the litany of reasons the court of appeals gave for its adherence to circuit and Supreme Court precedent, Impression's bullet points

do not remotely establish a conflict warranting this Court's review.

Impression all but admits its cramped view of this Court's holdings when it suggests that their context does not matter because the decisions did not "qualif[y]" certain broadly-worded statements as *dicta*. Pet. 15. As the court of appeals observed, and this Court well knows, "general expressions, in every opinion, are to be taken in connection with the case in which those expressions are used." Pet. App. 39a (quoting *Cohens* v. *Virginia*, 19 U.S. (6 Wheat.) 264, 399-400 (1821) (Marshall, C.J.)). And here, the court of appeals appreciated that the "body of precedent contains no decision against a patentee's infringement assertion in the present circumstances, and [so] the decisions on related circumstances require careful reading to determine the best understanding of what issues the Court actually decided." *Id.* at 39a-40a & n.8. It is not conventional, to say the least, for this Court to contemporaneously declare whether a particular statement is *dictum*.

Next, Impression contends that "to the extent that this Court's early cases could be viewed as unclear," the decisions in *United States* v. *Univis Lens Co.*, 316 U.S. 241 (1942), and *Quanta Computer, Inc.* v. *LG Electronics, Inc.*, 553 U.S. 617 (2006), "together preclude a conditional sale exception to patent exhaustion." Pet. 10, 14-16. The court of appeals considered and rejected Impression's attempts to over-read those two cases. Neither case poses any conflict with the court's decision, let alone "compels rejection" or further review of it. Pet. 14-16.

Quanta was "at least two steps removed from the present case": "[t]here were no patentee sales, and there were no restrictions on the sales made by the licensee." Pet App. 30a-37a. Impression's contrary as-

sertion that *Quanta* is on point relies entirely on this Court's statement that "the initial authorized sale of a patented item terminates all patent rights to that item." See, *e.g.*, Pet. 3, 15-17. In Impression's view, that means that "any sale of a patented article by a patentee, even when the rights granted are expressly restricted, is automatically an 'authorized sale,' causing the patentee to lose all § 271 rights in the item sold." Pet. App. 33a; see also Pet. 15-17 (patentee sale is "in all cases" an initial authorized sale that triggers complete exhaustion). But that is an "extraordinary doctrinal consequence" to glean from the phrase "authorized sale." Pet. App. 34a. Indeed, the phrase itself does not answer the fundamental question of *what* a particular sale has authorized, or why the answer to that question must always be "relinquishment of all patent rights." *Id.* at 38a. Properly unwilling to "read too much into the Court's use of the phrase 'authorized sale,'" the court of appeals determined that "[f]ull analysis of the relevant legal context," including "statutory, precedential, and other considerations," was necessary. *Id.* at 37a-38a. Impression's elevation of two out-of-context words from *Quanta* ("authorized sale") over the court of appeals' "full analysis" establishes no conflict justifying certiorari.

Nor does *Univis* present any conflict. That case, the court of appeals explained, "did the opposite of suggesting that the distinction matters" as between patentee and licensee sales. Pet. App. 37a. "[T]he most the Court ruled, even as to patent law all by itself, was that a vertical price-control restriction was ineffective to preserve patent rights after sales of articles embodying the patents." *Id.* at 54a-56a.

In response, Impression insists that the court of appeals misread *Univis* because the decision "was *not*

limited to price restrictions" "[i]n addressing the enforceability under the patent laws of post-sale restrictive conditions." Pet. 14-15. This Court repeatedly made clear, however, that its holding turned on the validity of a patentee's ability to "control the price" of patented products. 316 U.S. at 249; see also, *e.g.*, *id.* at 250 (same); *id.* at 251 (analyzing "added stipulation by the patentee fixing resale prices"); *id.* at 252 ("control[ling] the price ... would extend his monopoly"); *id.* ("price fixing features"). If that were not enough, the Court's concluding paragraph leaves no doubt: it rejected appellees' attempt to salvage other "features of their licensing system" because, even "assum[ing] that such restrictions might otherwise be valid," and "even though some of [the] features, independently established, might have been used for lawful purposes," they were too "interwoven with and identified with the price restrictions" that controlled the disposition. *Id.* at 254. The court of appeals thus correctly recognized that *Univis* is inapposite.

Impression's assertion that "*Quanta* confirmed that *Univis* 'governs' patent exhaustion as a general matter," Pet. 15, is disingenuous. *Quanta* merely stated that "*Univis* governs *this case*"—not all of patent exhaustion—because both cases assessed how closely related the product sold was to the patented invention. 553 U.S. at 631-35 (emphasis added); see also Pet. App. 37a.

The bottom line: the decision below is not contrary to any precedent of this Court or the court of appeals. Pet. App. 26a, 40a-41a, 49a-50a.

B. The Court Of Appeals' Decision Is Correct.

Far from presenting any conflict with existing law, the decision below correctly applies longstanding

precedent to the facts of this case. The basic exhaustion rule is that patentees can transfer some or all of their rights within the scope of the patent but cannot expand the patent monopoly. Thus, "a patentee-made or patentee-authorized sale of a patented article ... *presumptively* grant[s] 'authority' to the purchaser to use it and resell it," but a patentee and purchaser may also agree to a more limited sale conveying less than complete authority to the purchaser. Pet. App. 40a-41a. At the same time, patentees cannot *expand* their rights by attaching conditions that exceed the scope of the patent grant; contract and antitrust law limit patentees' ability to wield market power or to transfer or misuse rights. *Id.* at 29a.[2]

1. This petition presents no question of contract violation, patent misuse, or antitrust concern. "Impression has not contended that the particular restriction at issue gives rise to a patent-misuse defense, constitutes an antitrust violation, or exceeds the scope of the Patent Act's express grant of exclusive rights over patented articles." Pet. App. 14a. The only question is whether a clearly communicated, otherwise-lawful restriction is unenforceable simply because it occurs in the context of a sale by the patentee rather than a license. It is not.

The court of appeals began its analysis with the statute, the current version of which was enacted in 1952, but which reflected what courts had "consistently understood infringement to mean." Pet. App. 7a, 20a-25a, 40a-41a. In particular, § 271 defines

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[2] In *Henry* v. *A.B. Dick Co.*, 224 U.S. 1 (1912), the patentee expanded its rights by imposing an otherwise-*un*lawful restriction. Pet. App. 36a-37a, 53a-54a. The Court's subsequent rejection of *Dick* "did not rule that *all* restrictions on a patentee's sale were ineffective to preserve the patentee's patent-law rights." *Id.*; *contra* Pet. 13-14.

what constitutes patent infringement based on whether the alleged infringer proceeds "without authority." 35 U.S.C. § 271(a). That language means something: "Unless granting 'authority' is to be a legal fiction, a patentee does not grant authority by denying it." Pet. App. 41a. Remarkably, considering its centrality to the reasoning below, the petition never even discusses the "without authority" text.

Recognizing that an "exhaustion rule should fit rather than contradict the statutory text," the court of appeals then considered whether any precedent required Impression's counter-textual rule. Pet. App. 41a-56a. Finding none, the court concluded the opposite: "the best lesson to draw from th[at] precedent[] ... is that a patentee may preserve its patent rights by otherwise-proper restrictions when it makes and sells patented articles itself and not only when it contracts out manufacturing and sales." *Id.* at 56a. In sum, "[a] sale made under a clearly communicated, otherwise-lawful restriction as to post-sale use or resale does not confer on the buyer and a subsequent purchaser the 'authority' to engage in the use or resale that the restriction precludes." *Id.* at 26a.

2. Impression argues that the court of appeals' holding "eviscerates" a supposed "settled distinction in patent law between transfers of title and licenses." Pet. 10, 16-18. That erroneous proposition does not justify further review.

As explained above, Impression extracts its rule from the phrase "initial authorized sale" that appears in some of this Court's cases. But that begs the question of what was authorized, and does not suggest or support a distinction between sales and licenses. *Supra* 11-12. Impression's proposed distinction between what can be authorized by sales versus licenses is pure *ipse dixit*. Impression declares, for example, that

the ruling below "would render the patent exhaustion doctrine meaningless, because the patentee could avoid the doctrine entirely by specifying a restriction in connection with the first sale." Pet. 18. A *contractual* limitation on patent rights, of course, requires the purchaser's agreement—hardly a "meaningless" step. In any event, a patentee can also "avoid the doctrine"—by which Impression presumably means transfer subject to clearly communicated, otherwise-lawful conditions—by simply licensing the right to make and sell the articles under those conditions. Impression provides no principled basis for concluding that a patentee may not achieve in one step (by making and selling itself) what it can undeniably achieve in two (by licensing some but not all patent rights to a third party, who then sells goods embodying only those rights). See Pet. App. 26a.[3]

C. This Question Has Been Raised And Rejected Numerous Times.

The petition points to the government's persistently fruitless attempts to rewrite the exhaustion doctrine as a reason to grant certiorari. Pet. 18-21. That is backwards: a consistent refusal to adopt Impression's position counsels in favor of *denying* the petition because the argument has been aired before without success, and the petition identifies no drastic change in the law or other reason to change course.

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[3] Impression also suggests the decision below is inconsistent with the common law's disfavoring of restraints on the alienation of chattels. Pet. 22-23. But the Patent Act controls in the event of a conflict, and here there is no conflict with a common-law rule that applies only to unrestricted sales. Pet. App. 56a-59a. Indeed, Impression's assertion would apply equally to licenses, defeating authority Impression concedes patentees retain.

At least as early as the 1930s, the government unsuccessfully urged this Court that a patentee should not be permitted "to control the use of the patented article" either "by license or by the terms of sale." U.S. Br. at 32, *Gen. Talking Pictures*, 1938 WL 39344. The Justice Department then tried and failed to convince Congress to "unconditionally outlaw" limitations on, among other things, the production and use of patented articles. 4 *Verbatim Record of the Proceedings of the Temporary National Economic Committee* 641-42 (July 17, 1939). Then came a series of requests that this Court revisit cases like *General Talking Pictures*. See, *e.g.*, U.S. Br. at 70 & n.32, *Ethyl Gasoline Corp.* v. *United States*, 1939 WL 48829 (citing the *General Talking Pictures* dissent to argue "a need exists to curtail the rights of a patentee to insert in license agreements restrictive provisions"); U.S. Br. at 33-40, *Automatic Radio Mfg. Co.* v. *Hazeltine Research*, 1950 WL 78703 ("The Rule of the General Talking Pictures Case Should Be Reexamined"). Again, this Court rejected the government's invitations to revisit settled law.

More recently, the government has apparently accommodated itself to the precedential effect of *General Talking Pictures*, and so has shifted to arguing that there is some doctrinal difference between what a patentee can do through a sale and what a patentee can do through a license. Pet. App. 26a. In *Quanta*, after *Mallinckrodt* was "centrally" featured in the court of appeals' decision under review, the government's brief asked this Court to "repudiate[]" *Mallinckrodt*. *Id.* at 32a; see U.S. Br. at 20-24, *Quanta*, 2007 WL 3353102. In response, the Court "said nothing." Pet. App. 32a. The government tried again in *Bowman* v. *Monsanto Co.*, 133 S. Ct. 1761, 1766

(2013), see U.S. Br. at 30-33, *Bowman*, 2013 WL 137188, but the result was the same.

This Court recently explained that when precedent implicates rules of "property (patents) and contracts (licensing agreements)" on which parties rely to structure their affairs, courts should be especially wary of overturning settled expectations. *Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2410 (2015). The application of exhaustion doctrine to patentee sales is just such a rule. This Court and the court of appeals have heard Impression's argument numerous times and have never adopted it. And patentees and their counterparties have, for decades, ordered their sales, licenses, and investments around the rules the court of appeals reaffirmed. Impression offers no compelling reason or changed circumstance for this Court to now consider whether to unsettle such firmly established precedent.

D. The Court Of Appeals' Decision Threatens No Grave Consequences Warranting This Court's Intervention.

The policy contentions Impression and its *amici* advance are both misguided and not implicated by the court of appeals' decision in any event. Pet. 21-23.

To begin with, Impression and *amici* spill the most ink asserting that markets will "grind to a halt" and downstream purchasers will be hamstrung and unduly exposed to the risk of infringement liability. *Id.* at 1, 17-23; see also, *e.g.*, Intel Br. 18-20 (worrying about PEZ candy dispensers); Costco Br. 2-3; AMDR Br. 13-14. These claims are baseless.

As for the first, the decision below reaffirmed the court of appeals' own decades-old precedent, which was itself based on this Court's cases dating back even further. Pet. App. 59a-60a. Commerce has not

ground to a halt, and there is no reason to think it will suddenly do so now.

As for the risk of exposure to downstream purchasers, any concerns about notice, contract enforceability, and consumer expectations are not implicated by this case. The court below did not bless any "unilateral pronouncements," "sticker notice," or "post-sale restrictions otherwise unenforceable under contract law." Profs. Br. 2, 12, 17-18. Indeed, the court could not have done so because the parties *stipulated* that the single-use limitations represent a valid and enforceable contract, for which each counterparty had valid notice. Pet. App. 11a, 14a. The record in this Court, therefore, indicates that downstream purchasers *do* have notice of restrictions on the products, *id.* at 26a, and any questions about consumer surprise and constructive knowledge, *e.g.*, Auto Care Br. 3, are not presented here. If those concerns warrant review, they should be addressed in a case with a record that presents them. This is not that case.

Other contentions fare no better. For example, the decision threatens no "dramatic" "anticompetitive implications," Pet. 22, because patentees can achieve the same results through licenses. Pet. App. 26a; see also *id.* at 62a (more flexible regime can be procompetitive). Nor does it allow patentees to secure more than one "reward" for their patents, Pet. 21, because the single-use cartridges' reduced prices reflect the value of what is conveyed, Pet. App. 11a. Lexmark's pricing structure does not produce double recoveries for the same reason that a patentee who leases a product does not reap more than one "reward" just because it might be paid more than once, or more in total than if it sold the product unconditionally.

Recognizing that Congress can best assess these contentions, the court of appeals could "say only that the amicus presentations [on both sides] g[a]ve [it] no reason to depart from the application of § 271 [it] derive[d] from the statute and precedent." Pet. App. 60a. Repetition of the same policy arguments here does not justify review by this Court.

II. THE COURT SHOULD DENY REVIEW OF THE SECOND QUESTION PRESENTED CONCERNING FOREIGN SALES.

The petition identifies no basis on which this Court should review, much less disturb, the decision below with respect to foreign sales. The court of appeals thoroughly, unanimously, and correctly rejected Impression's extreme position that any foreign sale always exhausts all U.S. patent rights. The well-established rule reaffirmed below—that foreign sales *may*, but do not *automatically*, exhaust U.S. rights—is consistent with the text and scope of the Patent Act, the precedents of this Court and the courts of appeals, the positions of the President and Congress, and prevailing commercial practices and trade policies. Impression's arguments have not persuaded a single judge. Its flimsy case for certiorari therefore rests on illusory tension with a 1628 English treatise, an 1885 district court ruling, and a 2012 interpretation of the *Copyright* Act. The parade of horribles imagined by *amici* turns on facts and claims wholly absent from this case and, in any event, has not come to pass under the longstanding precedent reaffirmed below.

A. The Court Of Appeals' Decision Is Consistent With The Precedents Of This Court And The Courts Of Appeal.

1. The decision below, and the court of appeals' decision in *Jazz Photo* it reaffirmed, adhere to the sole decision of this Court to address foreign sales and exhaustion. *Boesch* v. *Graff* held that the buyer of a patented burner in Germany lacked authority under U.S. patent law to import and sell the burner in the United States. 133 U.S. 697 (1890). The foreign sale, this Court squarely held, did not extinguish the U.S. patentee's rights under U.S. law to exclude others from making and selling the product here. *Id.* at 702. The Court recognized the separate foreign and U.S. rights at issue, expressly distinguishing the buyer's right to "make and sell" the article in Germany "under the laws of that country" from "the rights o[f] patentees under a United States patent." *Id.* at 703.

Impression and its *amici* highlight that the seller in *Boesch* was not authorized by the U.S. patentee to sell the burner. That was true, but irrelevant. The German sale was "authorized" by German prior-use law rather than the U.S. patentee. *Id.* at 702. Although the seller had the right to sell in Germany "under the laws of that country," his purchasers "could not be thereby authorized to sell the articles in the United States in defiance of the rights of patentees under a United States patent." *Id.* at 703. Impression emphasizes the Court's statement that the German buyer sought to "import th[e] [burners] to and sell them in the United States, *without the license or consent of the owners of the United States patent.*" Pet. 29 (quoting 133 U.S. at 702). What was lacking, however, was not consent to sell in Germany, where German law applied, but consent to sell in the United States, where U.S. law gave the U.S. patentee

authority to exclude the imports regardless of their lawfulness in Germany. *Boesch* therefore answers the precise question raised by Impression: a lawful sale abroad does not necessarily give the purchaser "authority" under 35 U.S.C. § 271(a) to make, sell, and import the invention here. Pet. App. 77a-78a.

For over a century, as the court of appeals exhaustively explained, U.S. courts have followed *Boesch* in rejecting automatic worldwide exhaustion—regardless of whether the U.S. patentee authorized or was compensated for the foreign sale.

- *Dickerson* v. *Matheson*, 57 F. 524, 527-28 (2d Cir. 1893), discussed *Boesch* in affirming an infringement finding after an authorized foreign sale that did not permit import into the United States. Pet. App. 91a-92a.
- *Dickerson* v. *Tinling*, 84 F. 192, 194 (8th Cir. 1897), quoted *Boesch* in barring import into the United States despite a lawful sale abroad. Pet. App. 92a.
- *Daimler Manufacturing Co.* v. *Conklin*, 170 F. 70, 72 (2d Cir. 1909), discussed *Boesch* in enjoining a car buyer, who had purchased in Germany, from using the car in the United States without a license from the U.S. patentee. The German sale—as in *Boesch*—could take the car "out of the monopoly of the German patent," but not "the monopoly of the American patentee who has not sold." *Id.*; Pet. App. 93a-94a.
- *Curtiss Aeroplane & Motor Corp.* v. *United Aircraft Engineering Corp.*, 266 F. 71, 77, 79-80 (2d Cir. 1920), cited *Boesch* in allowing the use of airplanes in the United States where the Canadian seller and British buyer

agreed to a global license that covered the United States. Pet. App. 94a-95a; see also SanDisk Br. 18 (discussing global license at issue in *Curtiss*).

- *A. Bourjois & Co.* v. *Katzel*, 260 U.S. 689, 692 (1923), cited *Boesch* in rejecting a rule of automatic worldwide *trademark* exhaustion. Pet. App. 84a.
- *Griffin* v. *Keystone Mushroom Farm*, 453 F. Supp. 1283, 1284-87 (E.D. Pa. 1978), analyzed *Boesch* in holding that the lawful purchase of U.S.-patented machines in Italy could not defeat the rights of the U.S. patentee in the United States, even though the patentee controlled both the Italian and U.S. patents. Pet. App. 95a-96a.
- *Sanofi, S.A.* v. *Med-Tech Veterinarian Products, Inc.*, 565 F. Supp. 931, 937-38 (D.N.J. 1983), distinguished *Boesch* on the ground that, unlike the U.S. patentee in *Sanofi* that validly parted with its patent rights through a sale in France, the U.S. patentee in *Boesch* "neither received compensation" from the German sale "*nor consented to its importation* in this country." (emphasis added). Pet. App. 96a-97a.
- *Jazz Photo Corp.* v. *ITC*, 264 F.3d 1094 (Fed. Cir. 2001), relied on *Boesch* in ruling that U.S. patent rights were not exhausted by the foreign sale of cameras that (like Impression's infringing cartridges) were reimported without authorization for sale into the United States. Pet. App. 64a-66a.
- *Fuji Photo Film Co.* v. *Jazz Photo Corp.*, 394 F.3d 1368, 1376 (Fed. Cir. 2005), specifically

> rejected Impression's "unauthorized sales" interpretation of *Boesch* in affirming the rule against automatic international exhaustion set forth in *Jazz Photo* v. *ITC*. Pet. App. 66a.

Notwithstanding this authority, the petition states that "a consistent line of patent cases" stretching "over a century" indicates that "a sale outside the United States authorized by the U.S. patentee has long been understood to exhaust U.S. patent rights." Pet. 24, 27. In support, the petition discusses only one such decision—*Holiday* v. *Mattheson*—a 130-year-old district-court outlier that predated *Boesch* and confronted the exhaustion question in terms of domestic law rather than territorially distinct patent rights. 24 F. 185, 185 (C.C.S.D.N.Y. 1885); Pet. App. 86a. The point of *Holiday*'s ruling, according to Impression, is that the "same exhaustion rule governing authorized domestic sales *also* applies to authorized sales abroad." Pet. 28. But Impression cites no authority for such broad-brush equivalence between foreign and domestic patent rights, because no such authority exists. There is simply no conflict, much less a real split, among the lower courts' application of this Court's holding in *Boesch* to reject Impression's proposed rule of automatic worldwide exhaustion.

Lacking any conflict with the rule of *Boesch*, the petition points to a decision that does not even cite *Boesch*—this Court's decision in *Quanta* v. *LG Electronics*. The petition states, bizarrely, that the "critical question for exhaustion purposes" is whether "an article can *practice* a U.S. patent outside the United States." Pet. 31. Impression does not and cannot explain why that question determines whether a foreign sale triggers exhaustion. The discussion in *Quanta* pertains to whether a product substantially embodies a method patent—an issue not implicated in this

case. Indeed, *Quanta* never mentioned *Boesch*—despite LGE's contention that exhaustion based on foreign sales was a question for remand. Pet. App. 66a n.14. There is no basis to infer that *Quanta* departed from exhaustion precedent in such an obtuse manner.[4]

2. Because patent-law precedents offer no conflict or other reason to grant review, Impression looks to this Court's interpretation of the Copyright Act in *Kirtsaeng*. Here, again, the petition mistakenly claims this Court *sub silentio* overruled its precedent in a case that did not present any question of patent exhaustion.

The question in *Kirtsaeng* was whether importation of copyrighted textbooks manufactured outside the United States infringed the publisher's rights under the Copyright Act, see 17 U.S.C. § 106(3), or was instead protected by the Act's first-sale provision, § 109(a). 133 S. Ct. at 1355-56. After examining whether a textbook printed and sold abroad was "lawfully made under" the Copyright Act, the Court concluded that textbooks printed consistent with the U.S. Copyright Act and sold in Thailand could be resold in the United States free of copyright restrictions. The ruling was based on § 109's distinct text, legislative history, and common-law background, in addition to its practical effects—none of which applies to Impression's infringing cartridge sales. *Id.* at 1358, 1364.

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[4] Indeed, the government in *Quanta* confirmed both that foreign sales were not at issue and that this Court had already "made clear" in *Boesch* "that a sale under a foreign patent in that foreign country does not exhaust the patent rights under the corresponding United States patent." U.S. Br. at 9 n.2, *Quanta*, 2007 WL 3353102 (citing *Boesch*, 133 U.S. 697).

Kirtsaeng addressed the text of the Copyright Act rather than Patent Act, and never mentioned patent law. That is not surprising, given that patent and copyright decisions are not interchangeable. *Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339, 346 (1908). Under the Copyright Act, unlike the Patent Act, an owner's right to control importation is subsidiary to the distribution right. That is, one does not need "authority" from the owner to sell or import within the United States, *contra* 35 U.S.C. § 271(a), but may sell "without the authority of the copyright owner" under 17 U.S.C. § 109(a). See *Quality King Distribs., Inc.* v. *L'anza Research Int'l, Inc.*, 523 U.S. 135, 142 (1998). Critically, the relevant provisions of the Copyright Act impose no geographic limitation on the rights extinguished through a first sale, referring simply to the rights of an "owner of a copyright under this title" without respect to location. See *Kirtsaeng*, 133 S. Ct. at 1362; Pet. App. 66a.

Aside from these specific textual differences, patent and copyright infringement differ in ways central to the Court's analysis in *Kirtsaeng*. Pet. App. 73a-76a. Patent law remains a distinctly territorial regime under the Paris Convention in which a grant (the scope of which often differs substantially) must be obtained, maintained, and enforced independently in different jurisdictions. The rules for acquiring and infringing a copyright are largely harmonized across the 168 national parties to the Berne Convention. See *Golan* v. *Holder*, 132 S. Ct. 873, 878-79 (2012). And the copyright is not conferred by the positive law of individual countries, but inheres in the writing itself, immediately upon creation. Further, *Kirtsaeng*'s concerns about libraries and museums have no apparent analog in the patent realm, 133 S. Ct. at 1364-67, and concerns of user uncertainty are less acute given the

long and variable duration of a copyright in contrast to the readily determinable 20-year life of a U.S. patent. Issues such as fair use and parody, moreover, are unique to copyright. Thus, the concerns articulated in *Kirtsaeng* cast no equivalent doubt on the "geographical interpretation" that otherwise applies to the Patent Act. *Id.* at 1358.

Finally, the common-law considerations raised in *Kirtsaeng* are not implicated here. There the Court, having found that Congress intended no territorial limit on the Copyright Act's first-sale provision, found further support for the legislature's decision in Lord Coke's 1628 treatise. *Id.* at 1363. Such an exercise would be inapposite under the Patent Act, because that statute, and the cases interpreting its associated exhaustion doctrine, *e.g.*, *Boesch*, repeatedly and expressly "mak[e] ... geographical distinctions," *contra* 133 S. Ct. at 1363. Congress's statutory commands trump any interpretive influence common-law rules might otherwise have when a statute's territorial reach is less clearly circumscribed. Whatever value a 1628 English treatise may have had in bolstering *Kirtsaeng*'s conclusion that Congress did not intend to geographically limit the Copyright Act's statutory first-sale doctrine, it finds no purchase in the analysis of the patent exhaustion doctrine's plainly territorial reach.

B. The Court Of Appeals' Decision Is Correct.

Impression's petition is, at bottom, a request for error correction that identifies no error. The careful analysis below is demonstrably correct under the Patent Act's text and precedent. "[W]hoever *without authority* makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention ... infringes

the patent." 35 U.S.C. § 271(a) (emphasis added). The patentee possesses a statutory "right to exclude others" from taking these steps. *Id.* § 154(a).[5] Under the exhaustion doctrine, however, an unrestricted sale grants the buyer the "authority" to use or sell a product. By exhausting the patent rights, the sale "eliminates the legal restrictions on what authorized acquirers 'can do with an article embodying or containing an invention'" whose sale the patentee authorized. *Helferich Patent Licensing, LLC* v. *N.Y. Times Co.*, 778 F.3d 1293, 1301 (Fed. Cir. 2015) (quoting *Bowman* v. *Monsanto Co.*, 133 S. Ct. 1761, 1766 & n.2 (2013)); see Pet. App. 71a-73a.

The foreign sale of a product patented in the United States does not "eliminate[] the legal restrictions" imposed by the U.S. patent, *id.*, because the U.S. patent right does not stand in the way of the product's sale or use abroad in the first place. U.S. patents have no force in foreign countries. *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 531 (1972). The Act speaks in expressly territorial terms: it confers exclusive rights "throughout the United States," bars importation "into the United States," and establishes liability for infringement "within the United States." 35 U.S.C. §§ 154(a)(1), 271(a). The absence of corresponding statutory rights or limitations in foreign jurisdictions reflects obligations, dating to the 1883

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[5] Impression insists "there is no statutory language to interpret" regarding foreign sales and exhaustion. Pet. 26 (emphasis omitted). And only one *amicus* bothers to discuss the statute—though it contends that exhaustion is a free-standing, judge-made doctrine that can trump Congress's text. Profs. Br. 2-3, 7-8. Basic separation-of-powers principles, however, underscore that the contours of the exhaustion defense must be consistent with and subordinate to the text of the Patent Act. *See* Pet. App. 24a (citing *Octane Fitness, LLC* v. *ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1755-56 (2014)).

Paris Convention, under which the legal force of a patent issued in one country is limited to that country.[6] Absent authorization from the patentee, a foreign sale simply does not implicate U.S. patent rights. J. Erstling & F. Struve, *A Framework for Patent Exhaustion from Foreign Sales*, 25 Fordham Intell. Prop. Media & Ent. L.J. 499, 525 (2015) ("because U.S. patent law has no effect outside U.S. territory, the buyer in a foreign jurisdiction can already make, use, sell, and offer for sale the invention claimed in the U.S. patent without the need for any permission from the U.S. patent holder.") (footnote omitted).

The price a patentee receives for a foreign sale is compensation for lifting any applicable foreign restrictions. The reward available under the Patent Act, meanwhile, "gives patentees the reward available from American markets." Pet. App. 76a; *id.* ("A patentee cannot reasonably be treated as receiving that reward from sales in foreign markets, and exhaustion has long been keyed to the idea that the patentee has received its U.S. reward."). Given the vastly different nature of patent grants and enforcement in different countries and markets, the value conferred on patented inventions by foreign laws may vary greatly from the value of that protection in the United States. *Id.* at 78a-79a (citing U.S. Br. 15-16); *id.* at 134a ("the country-to-country differences in pa-

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[6] Paris Convention for the Protection of Industrial Property, art. 4*bis* (Mar. 20, 1883) ("Independence of Patents Obtained for the Same Invention in Different Countries: Patents applied for in the various countries of the Union ... shall be independent of patents obtained for the same invention in other countries...."); *Voda* v. *Cordis Corp.*, 476 F.3d 887, 898-99 (Fed. Cir. 2007) (Paris Convention "clearly expresses the independence of each country's sovereign patent systems and their systems for adjudicating those patents.").

tent laws, and the different economic choices patentees must make as a result, suggest that patentees should be able to reserve their U.S. patent rights when making or authorizing foreign sales") (Dyk, J., dissenting). Yet Impression and its *amici* would throw off this longstanding rule and require every sale anywhere in the world to convey—and include compensation for—U.S. patent rights. Effectively requiring patentees to price the value of U.S. patent rights into every foreign sale would dramatically intrude on the authority of other nations to balance innovation and access in a manner tailored to their own markets.

No principle of U.S. patent law or any patent treaty requires such a disregard of national boundaries in favor of a single worldwide market in which foreign purchasers would be forced to pay for U.S. rights they may not want. And Impression has garnered no judicial or governmental support for its extreme position that any sale anywhere always exhausts U.S. patent rights. See Pet. App. 127a (collecting cases in which "the authorized foreign seller clearly reserved U.S. rights, [and] there was no exhaustion.") (Dyk, J., dissenting); *id.* at 158a (because "the patent exhaustion doctrine is territorial," it applies only if "the authorized first sale ... occurred in the United States") (Barrett, J., S.D. Ohio); U.S. En Banc Br. 14 ("patent law is territorial and ... sales consummated under foreign law do not necessarily convey rights under United States patent laws"). The majority, dissent, district court, and government position below all accept that foreign sales *may* extinguish U.S. patent rights; the question is simply the way in which that authority is manifested. Impression tries to bootstrap the government's rejection of its position into a basis for review, Pet. 32, but that disagreement is not presented

in this petition, which merely advances Impression's own idiosyncratic view of automatic worldwide exhaustion.[7]

C. The Court Of Appeals' Decision Threatens No Confusion Or Disruption Warranting This Court's Intervention.

1. Despite the protests of Impression and its *amici*, the ruling below signals no confusion and no realistic prospect of confusion in the application of the Patent Act to foreign transactions. The thorough and consistent treatment of this question in the court of appeals—at least since *Jazz Photo* issued in 2001, and likely much earlier—means no patentee or purchaser would reasonably assume that *all* foreign sales exhaust U.S. patents. The sirens sounded by *amici* eager to avoid U.S. patent protections fail to resonate where the court merely affirmed existing precedent.[8]

To the extent these policy objections have any purchase, moreover, they are better directed to Congress. The economic, trade, and foreign policy consequences

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[7] The pronouncements of the political branches outside litigation are fully consistent with the decision below. Congress amended the Patent Act to give patentees authority to bar importation of a patented invention into the United States, 35 U.S.C. §§ 154(a)(1), 271. And the Executive Branch has consistently opposed automatic international exhaustion in multilateral trade negotiations and bilateral trade treaties, see Pet. App. 86a-88a.

[8] Litigants have invited this Court to review the rule of *Boesch* and *Jazz Photo* several times, but this Court has consistently declined. *See Benun* v. *Fujifilm Corp.*, 131 S. Ct. 829 (2010); *Jazz Photo Corp.* v. *ITC*, 536 U.S. 950 (2002). After deciding *Kirstaeng*, the Court declined even to vacate and remand *Ninestar Tech.* v. *ITC*, which had applied *Jazz Photo* to resolve a question of international patent exhaustion. 133 S. Ct. 1656 (2013).

of a worldwide-exhaustion regime would be vast and largely unknowable. The concerns for market segmentation acknowledged by *Kirtsaeng* in the copyright context would only be magnified where life-saving drugs and critical technology, rather than books and artwork, are at stake. Pet. App. 100a-101a. It is of course possible that a different regime could benefit specific manufacturers, trading partners, or consumer groups. Picking the winners and losers, however, is a task for which Congress is better equipped than the courts. See, *e.g.*, Sandisk Br. 16-17.

2. In any event, the facts and claims at issue in this case preclude consideration of the policy objections voiced most forcefully by Impression and its *amici*. Concerns of innocent infringement, the court below recognized, are a function of the strict-liability regime established by the Patent Act. And those concerns are properly viewed under the rubric of an implied (or express) license, rather than the exhaustion defense—a point the decision below (and this Court's decision in *Quanta*) took great pains to emphasize. See, *e.g.*, Pet. App. 73a, 90a, 98a. In this case, however, "Impression did not press any implied-license defense," *id.* at 63a, making this a poor vehicle to consider the practical effects of cross-border sales and licensing.

In addition, express licenses facilitate international commerce in a way that is untroubled by the decision below. Many international businesses—including *amici* in this case, *e.g.*, Costco Br. 6; Sandisk Br. 17—can protect their supply chains and intellectual property through the contracts, licenses, warranties, indemnification, and insurance that already characterize their cross-border transactions. Indeed, the supposed burden of tracing the provenance of patented

components in products sourced abroad, Costco Br. 3, 6-7, does not stem from exhaustion law; there is no dispute that, regardless of the first sale of the complete product, a purchaser must assure itself that each component was acquired from a seller with authority to transfer any applicable patent rights in order to avoid infringement liability, *id.* at 23-24. To the extent the ruling below affects such tracing concerns, or the efficacy of express or implied licenses, those issues should be addressed in a case in which they are actually presented.

CONCLUSION

For the foregoing reasons, the Court should deny the petition for certiorari.

Respectfully submitted,

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